

# PROCUREMENT ACTIVITY

Procurement activities of Zarubezhneft JSC are carried out in accordance with the requirements of Federal Law No. 223-ФЗ On Procurement of Goods, Works, Services by Specific Types of Entities and with the Procurement Regulation. In 2019, the Tender Commission of Zarubezhneft JSC arranged and review 307 procurement procedures for goods, works and services for the needs of Zarubezhneft JSC and its subsidiaries for a total sum of more than 13 bln RUB.

To bring the openness and transparency of procurement activity to a new level, the system of electronic tender platforms was used and procurement information was also published in the Unified Information System and in corporative information sources, which increased the number of procurement participants, expanded the Company's opportunities in selecting quotations with the most optimal conditions.

The Company works with potential suppliers/contractors to optimize expenses and reduce costs. The analysis of technical and commercial proposal of bidders and identification of possibilities to reduce the price of goods and services allowed the bidders to improve their commercial proposals in terms of providing the maximum possible discount. In this manner, in 2019 a substantial saving of money was achieved – more than 1.2 bln RUB.

When taking measures to expand the access of small and medium enterprises to procurement in Zarubezhneft JSC, the following results were achieved in 2019:

- public accounting of procurements was provided by the consultative body in the area of ensuring performance of procurements by Zarubezhneft JSC;
- the share of procurements of small and medium enterprises amounted to 65.79% with the set target of 18% for that period (Decree of the Russian Government No. 1352 dated December 11, 2014 On Specific Features of SME Participation in Procurement of Goods, Works, Services by Specific Types of Entities);
- the share of Zarubezhneft JSC procurements made as a result of the procedures with participation of small and medium enterprises made up 17.15% for the reporting period with the target of 15%;
- 23 companies joined Zarubezhneft JSC Partnership Program for partnership with small and medium enterprises.

In its operation, Zarubezhneft JSC employs the agenda adopted by the Russian Federation Government in terms of import phase-out – one of the strategic areas in operation of public companies for the nearest future. In this connection, the Company constantly tries to phase out imported production with Russian ones in a scheduled and stage-wise manner. As a result, the share of procured production, works and services of foreign origin is consistently reduced, and is below 0.97% in the companies of the Group operating in the Russian Federation.

**THE COMPANY  
CARRIES OUT  
CONTINUOUS  
ACTIVITIES  
FOR SCHEDULED  
AND STAGES  
REPLACEMENT  
OF IMPORTED  
PRODUCTS  
WITH RUSSIAN  
ONES.**